



Fall, 1994

Forest Tax and Stewardship News



The Stewardship Incentives Program

By Chuck Krukewitt, WI Forest Stewardship Coordinator

Over \$1,000,000 of Stewardship Incentives Program (SIP) funds have been made available to non-industrial private forest landowners to help install Stewardship management practices in Wisconsin over the past two years.

SIP provides direct financial assistance to the private forest landowners in Wisconsin. This program provides cost-share funds that pay up to 75% of the cost for writing a Forest Stewardship Management Plan; wildlife and fisheries enhancement; tree planting and site preparation; soil erosion protection; riparian area and streambank protection; forest stand improvement; recreation

area enhancement; windbreak and hedgerow planting, maintenance and renovation; to enhance and improve the forest lands in Wisconsin.

Needed practices must be spelled out in the landowners's Forest Stewardship Management Plan. The Program provides cost-share practices that have never been provided to private forest landowners in the past.

The goal of forest stewardship is to pass on the forestlands to future generations in better condition than it is at present. This means that future generations as well as present will benefit from these programs.

All practices are not available in every county. For more information, contact your local DNR forester.

For a packet of information about SIP and other cost-share programs, call 1-800-LET-GROW.

Message from the Forest Tax Unit

The new Forest Tax Law and Stewardship News will serve as an important information link between forest landowners and the DNR Forestry program. It will be published two times a year; in the Spring and in the Fall. It is hoped that the newsletter will improve communication between landowners and the DNR Forestry program, thereby enhancing the existing relationship. Your contributions and comments, on how the newsletter can be improved to serve you better, are welcome.

Managing forest resources can be challenging. Some of the challenges can be successfully managed if there is a free flow of information. This newsletter provides the opportunity for a free flow of information from the DNR to you, the landowners, hoping that you and the DNR will benefit from this effort.



Wisconsin Department of Natural Resources Secretary George Meyer (left) presents Wisconsin Forest Stewardship Certificate to Senior Forester Chuck Michaels (Middle) and Forest Land Manager Donald Schwandt (right) of Champion International Corporation at the Green Bay Area Landowners Conference in Green Bay on January 22, 1994.

Forest Crop Law Conversion Act Passed

The Wisconsin Legislature has passed Act 131 that will permit landowners to convert their Forest Crop Law lands into the Managed Forest Law for an application fee of \$100. Enacted on March 4, and published on March 18, 1994, the legislation waived the penalty provision of the FCL for those who may opt to enter their forest lands into the MFL before their FCL contracts expire. The law requires that the entire land under FCL in the municipality for which the application is submitted be included in the petition for conversion. It, however, gives landowners the option to convert all of FCL lands into MFL in a township..

The first date for receiving application was September 1, 1994 and will remain open until January 1, 1998. The processing of a given application may take up to three years to complete. Applications will be arranged and processed according to the dates they are received at the Bureau of Forestry. According to the act, the effective date of an approved application will be the first day of January following the Order of Designation.

Though Act 131 was created to allow you (FCL landowners)

to convert your lands into the Managed Forest Law without the usual penalty for breach of contract, you have the following alternatives:

1. apply now and pay the application fee. Note that completing the application form does not automatically change the status of the land. When approved, your land status will change the following January.
2. wait until the contract expires and enter the Managed Forest Law. No termination penalty will be assessed if you enter the MFL immediately following the expiration of your contract.
3. choose not to enter into the Managed Forest Law following the expiration of your FCL and pay the required termination penalty.

Why early conversion from FCL to MFL? The Managed Forest Law offers many benefits over the Forest Crop Law. The following are some of the advantages:

1. pay just 5% yield tax instead of 10% severance tax for those harvesting timber.
2. close up to 80 acres of your land to the public for permissible recreational activities. Under the FCL the entire land is open to hunting and fishing.
3. requires a management plan designed to meet your short-term and long-term goals.
4. pay \$100 application fee instead of termination or withdrawal penalty.

For further information on Act 131, please contact the nearest DNR office. See page 8 for its location.

Procedure for Forest Crop Law Withdrawals

By Cheryl Lytle, Forest Tax Clerk

A landowner who wants to withdraw from the Forest Crop Law (FCL) should begin by filing a Declaration of Withdrawal (Form 2450-8.) It is important to note here that the form must be filled out **completely** to facilitate smooth and easy processing. An incomplete form will be returned to the landowner for completion, thereby delaying the process.

When the form is received at the Forest Tax Unit, a worksheet is sent to the Department of Revenue for back tax calculation, which takes up to 3 months to complete. It is important to note also that the FCL requires a landowner, who withdraws early, to pay a penalty equal to the back taxes minus credits, plus 5% or 12% annual simple interest. In other words, he or she has the obligation to pay all taxes

that would have been paid if the land was not under the law, plus interest. All payments made against acreage and severance taxes are deducted.

When the tax figure is received from the Department of Revenue, a bill is prepared and sent to the landowner for payment. The landowner is given 60 days to pay. He or she reserves the right to cancel the withdrawal request before the 60 days expires. Upon receipt of his or her payment, an order of withdrawal is issued. If the payment is not received on the due date, the withdrawal request is considered null and void.

If you have any question regarding FCL withdrawal, please contact your nearest DNR Forestry office.

Forest Tax Law and Stewardship News

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The Managed Forest Law: What's in it for Landowners?

In 1927 the state of Wisconsin passed the Forest Crop law (FCL) to encourage landowners to apply sound forestry practices to increase their forest productive capacity in the face of declining forest resources. It was believed that the decline was due partly to the tax policy at the time and partly to poor land management practices.

The FCL reduced landowners' tax burden and made provision for management schedules that put in place a well organized procedure for a sound forest management system. Before the law was passed, landowners were required to pay high taxes. The policy was too harsh for many landowners, especially for those who owned small forest land. As a result, many converted their forests into farmland while others abandoned them.

In time, thousands of acres of forest disappeared. The loss of forest land raised concern among forestry authorities, government officials, and ordinary citizens. To reverse the trend, government decided to adjust the tax policy on forest land to encourage landowners to increase investment in timber. The Forest Crop Law was passed, giving tax relief to forest land owners. Thousands of landowners have since increased their forest holdings as a direct result of FCL.

The FCL did not make provision for woodlots that were less than 40 acres. In 1954, however, the state passed the Woodland Tax Law (WTL) to accommodate landowners with less than 40 acres of forest land. Later the need to combine the two laws arose and the government passed the Managed Forest Law (MFL) in 1985, replacing the FCL and WTL. There were two main reasons for the change: to simplify forest tax law administration and to increase landowners'

benefits. The MFL is flexible and has attracted thousands of landowners since its enactment. The contract length is 25 or 50 years.

To date over 11,000 landowners have enrolled about 719,253 acres into the MFL. More than 2,000 applications have been received for 1995 entry. For those who are enrolled in FCL and want to change to MFL, they can do so without problem. A 1994 legislation permits landowners with FCL entry to change to MFL. This opportunity is open through January 1, 1998.

Elegibility Requirement

To be eligible, the Managed Forest Law requires that a landowner must have at least 10 acres of adjoining land located in the same town or village. The average width of the land must be at least 120 feet. The law also says that each acre of land must be able to support the growth of at least 20 cubic feet of merchantable timber per year. The land must also have at least 80 percent forest cover. If there are seedlings on the land, they must be at least 200 per acre; if saplings, 100 per acre; if poles, three cord per acre; and if sawlog, 1,300 board feet per acre.

Land with greater than 20% in water, marsh, muskeg, bog, rock outcrops, sand dunes, railroads, and utility rights-of-way, are not eligible. Land with structures that serve commercial recreation, human home, or industrial development purposes cannot be enrolled. Active farmland, pasture or commercial development is not eligible.

Management Plan

All land entered under the MFL do require management plans. Landowners may write the management plan or may request the DNR to help prepare the plan. The plan may be

changed during the contract period, but all changes must be consistent with the terms of the contract and approved by the DNR Forester and landowner.

A management plan is normally tailored for a specific piece of land in accordance with the goals and objectives of the owner. However, it generally contains the following: (1) a statement of objective, (2) a map showing major landscape features such as roads, rivers, forest cover, and forest type, (3) a map showing boundaries and areas designated as open or closed, (4) description of the required management practices and the schedule of completion dates (5) description of soil conservation practices, (6) description of wildlife conservation strategy.

Cutting Notice

The Managed Forest Law requires a landowner to submit a cutting notice to the DNR at least 30 days before cutting, and a cutting report within 30 days after completion of harvest. The appropriate **forms** can be obtained from your local DNR foresters.

Benefits

Landowner who enroll in Managed Forest Law enjoy considerable benefits. These benefits include lower tax rates, management plan application, technical assistance, long-term investment, among others. They pay lower regular taxes for their property than their counterparts who are not enrolled. They pay five percent of the established stumpage value. The annual acreage taxes on open and closed lands are only \$.85 and two dollars respectively until 1998. Those that are not under any of the tax laws are subject to tax rates varying from \$3 to \$30 per acre per annual, av-

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The Managed Forest Law: What's in it for Landowners?

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eraging at \$7.16 per acre statewide, according to the general property tax assessment done in 1991.

The management plan offers incredible opportunities to landowners to apply sound forestry practices on their land. It gives step-by-step details of how their forests should be treated and managed to increase productivity and improve wildlife habitats.

Forestry experts at the DNR readily offer their expertise and services to MFL enrolled landowners. They develop management plan, provide market information, and perform other services for them. You may contact them at the nearest DNR office.

Managed Forest Law Application Procedure

By JoAnne Howe, Forest Tax Clerk

If you want to apply for the Managed Forest Law (MFL), contact your local DNR forester for a Petition for Designation (FORM 2450-129.) Complete the form, answer all questions and return it to the forester. Use black ink for easy reading. Incomplete forms will not be processed. You may contact your local forester for help in completing the form. The information requested on the application includes owner's objective, contract length, proof of ownership, physical description, legal description, and ownership agreement. For application reaching the Forest Tax Unit by January 31st, entries will be in effect the following January 1st. A non-refundable application fees of \$20.00 and all other documents requested should accompany the application.

After you have sent your application and all the documents requested to the Forest Tax Unit, the DNR will authorize field personnel to conduct an investigation to make sure that the

information you have provided is in order. Meanwhile, the DNR will inform your town or village of your intention to enter into the Managed Forest Law program by writing a notice to your town or village clerk.

When all the information provided is found to be in order, you must provide or have the DNR Forester prepare a management plan for your land. Your plan will be reviewed by the appropriate DNR authorities. If found to be consistent with sound forestry practices, it will be approved and sent to you for your signature. The signed management plan must be returned to the forester for completion of the field work. When you return the plan to DNR, your entry will be processed for approval and you and your village or town will be informed through an official order. The deadline for the official order of approval is November 20. Your program will then take effect the following January 1.

How to Withdraw from the Managed Forest Law

By Cheryl Lytle, Forest Tax Clerk

The Managed Forest Law has a provision for withdrawal. When a landowner decides to withdraw, the Managed Forest Law Declaration of Withdrawal Form 2450-140 must be completely filled out and forwarded to the local DNR forester, or be sent directly to the Forest Tax Unit in Madison for processing.

As soon as the completed Form 2450-140 is received, an order is issued, withdrawing the land immediately. The Forest Tax Unit sends a worksheet to the Department of Revenue for as-

sessing the tax penalty. The penalty is the higher of either 5 percent of the value of standing merchantable timber or regular property taxes in the year prior to withdrawal, multiplied by the number of years under the law. In both cases credit is given for both less acreage payments and yield taxes paid. A quick estimate is made for the 5% stumpage value to determine if it is higher than the regular tax. When that happens, a form is sent to the local DNR forester for

his/her estimate. It takes about three to six months to complete the process.

When the penalty calculations are completed, the bill is sent to the landowner for payment. The deadline for payment is January 31, following the issuance of the order.



Your Obligation as a Landowner Under the Forest Tax Laws

By Janet Calkins

The responsibility of landowners under the Forest Crop Law and the Managed Forest Law are similar in nature except for the specifics that apply to each law.

On each of the laws an applicant signs a contract with the state to promote good forestry practices on the property he/she enters under the law in exchange for a reduction in real estate taxes paid on that property during the length of the contract. This practice entails the **cutting and reporting of all timbers** removed from lands under the laws in a timely fashion and the **prompt payment of either yield or severance** taxes, where applicable, upon receipt of the bill.

The landowner must, by law, submit a cutting notice 30 days prior to the time he or she intends to start cutting. He or she must work with a forester to be

sure that the cuttings notice is completed properly as to the exact **species** of wood to be cut and removed as well as the exact **legal description** where the cutting will take place. After the cutting notice has been completed by the landowner or his agent, it must be signed by the landowner who is registered with the DNR in **black ink**, then return to the DNR forester for his or her approval of the proposed cut. If the forester does not agree with the proposed cut, he will work with the landowner to try to come to an agreement that they both approve of.

Once our DNR forester has approved of the cut, the cutting notice is then sent to the Madison office for the forest tax unit's approval and to be entered into the computer records for the property. The cutting notice is returned to the landowner and

then he/she may start cutting.

Within **one calendar year** from the forest tax unit's approval of the cutting, a cutting report must be filed on all **woods** removed from the property. The landowner must fill in the report side of the cutting notice in **black ink** and return it to the DNR forester to approve of the cut. Once the forester has approved of the cut, he will send it to Madison to the forest tax unit where a bill will be computed on the volume of timber cut and will be sent to the landowner for payment. When that tax bill has been paid the DNR will return to the town and the county their shares as stipulated by Wisconsin state statutes.

It is important that owners report the correct volume of timbers cut and removed. An owner who intentionally misleads the DNR by submitting a false report is subject to a fine of up to \$1,000 and or faces possible declassification of the land.

These tax bills are due one calendar month following the report. If they are not paid by that time, Wisconsin state statutes mandate an increase in the tax bill from interest charges of 1% per month on the managed Forest Law. Regarding the Forest Crop Law, a penalty of 10% is added to the bill for the first month and monthly charge of 1% thereafter until they are paid.

To facilitate the smooth operation of the forest tax unit and to help us serve you better, we request the following favor from the landowners:

1. A complete **current addresses**
2. Complete **legal descriptions** of the area where the cutting will be done
3. All reports must be done in **black ink** for easy reading.



Important Dates to Remember About MFL

January 31:	Deadline to submit application
May 1:	Deadline to submit owner supplied management plan
August 1:	Deadline for receiving signed management plan
August 15:	Deadline to show proof that you are not delinquent in tax payment
November 20:	DNR issues an official Order of Designation
January 1:	Your Managed Forest Law goes into effect.

Players in Wisconsin Forestry Sign Accord

Key players in the forest resources of the State of Wisconsin have signed a memorandum of understanding committing themselves to the exchange of information on forest resource management. The accord recognizes the National Hierarchy of Ecological Units as a complement of the Forest Habitat Type Classification system developed for Wisconsin.

The National Hierarchy of Ecological Units was developed by the USDA to classify the forest resources of the United States of America. Its key objective is to provide a framework for sharing resource data and information across administrative boundaries.

The Forest Habitat Type System is the forest classification

system adopted by Wisconsin. It classifies forest communities based on the composition of understory species and their sites. It serves three main purposes:

1. Provides common language for describing forest communities and sites.
2. Provides a framework for gathering and interpretation of research data.
3. Allows forest landowners to make relevant decisions, based on information provided by the classification system.

The signatories to the accord agreed that the objective of the National Hierarchy of Ecological Units is consistent with that of the Forest Habitat Type Classification System and pledged to co-

operate in exchanging information relevant to resource management at national and state levels.

There are thirteen signatories to the accord, including George Meyer, secretary of the Department of Natural Resources; Charles Higgs, director of the Bureau of Forestry; Floyd Maria, regional forester of Eastern Region, US Department of Agriculture; and Clyde Samsel, president of the Wisconsin Woodland Owners Association.

Speaking about the memorandum of understanding, Director Charles Higgs of the Bureau of Forestry said he was particularly pleased about the participation of the Wisconsin Owners Woodland Association's participation in the accord.

Aerial Photographs—A Management Tool

By Willard Keifer

Aerial photographs are some of the most useful tools available for managing forest land. The aerial photograph is like a "ready-made" map. It's as if you are in an airplane looking down. You can see the trees, roads, trails, streams, rivers, wetlands, fence lines, fields, and buildings—all the major features of the landscape.

The Bureau of Forestry is just completing the statewide Forestry Aerial Photography Project. The photo project was designed primarily for forestry use. The scale is a convenient four inches to the mile scale which can easily be enlarged two times to meet the scale of the Forest Tax Law maps. Black and white infrared film produces a tonal contrast making it possible to distinguish many of the tree species and forest types. Conifers appear as a darker grey tone. Aspen, white birch, and red oak appears as

more of a medium grey tone when compared to the lighter grey tones of hard maple and associated species.

Another useful feature of aerial photos is the ability to see the heights. A small instrument called a stereoscope used with two photos provides the ability to see tree heights and relief of the land in three dimensions.

The tonal contrast and stereo vision coupled with major features of the landscape on the photos provides an extremely useful planning and management tool.

Private landowners can purchase aerial photographs. A vending contract has been established with a private photography firm to produce photography products. The normal product is a 9" by 9" contact print which covers about 4 square miles of land area. Contact prints are the photo size

DNR forester use in their field work. Enlargements 2, 3, and 4 times (18", 27", and 36") are available. The contact print price is the most economical with enlargements becoming more costly.

Photography covering the entire state of Wisconsin has been completed and is now available for purchase. You can secure the ordering and price information by contacting the local DNR Forester in the county where the land is located. This forester will have a set of photographs to view to identify the photographs you need or you can specify the legal description on the order form. Ordering information can also be obtained from:

Nicole Merryfield
WI DNR
P.O. Box 7921
Madison, WI 53707
(608) 264 9224

Are You Selling Your Tax Law Land?

by Carol Nielsen

All three tax law programs, Woodland Tax Law (WTL), Forest Crop Law (FCL), and Managed Forest Law (MFL), have provision for the transfer of ownership when the entire entry is being sold to another individual(s). There are also some very limited provisions when an entry is divided (partitioned) by selling only a portion. If, the sale(transfer) of land that you are considering will result in the dividing/partitioning of your WTL, FCL or MFL entry, **consult the DNR Service Forester for your county first.** In many, but not all cases partitioning of a tax law entry will result in the withdrawal of part or all of the entry, with penalties assessed.

The following are the transfer procedures for each tax law program. Forms and additional help is available from the DNR Service Forester for your county or from the Forest Tax Unit, DNR, Box 7963, Madison, WI 53707.

WTL - the new owner should notify the FTU in writing or with a WTL Transfer form (form 2450-158) indicating the land they have acquired and who the former owner was. The new owner is obligated to fulfill the contract (WTL management plan) signed by the previous owner. A copy of the plan is available from the DNR Service Forester in the County. The plan may be revised if the landowner requests it and the forester agrees. The Forest Tax Unit (FTU) in Madison will send an acknowledgement of the transfer to the new owner and some information on the law.

FCL - the landowner (seller or new owner) must submit a FCL Transfer of Ownership (form 2450-35) within 10 days of the date of the deed. The new owner is obligated to complete the man-

agement schedule (plan) prepared when the property was entered. A copy of the management plan is available from the DNR Service Forester for the county. A transfer order is issued by the FTU with a copy sent to the new owner.

MFL - the new owner must submit a MFL Notice of Conveyance and Petition for Transfer (form 2450-159) within 30 days of the date of the deed. A \$20 transfer fee must accompany the transfer form. The new owner is obligated to carry out the management plan prepared for and signed by previous landowner. A copy of the plan and map is available from the DNR Service Forester for the county. The plan may be revised by the DNR Forester if it is mutually agreed upon. The new owner of MFL lands may request an adjustment of the areas "open" or "closed" to the public at the time of transfer by writing a note on the transfer form.

Legal MFL Transfers

- ✦ the transfer of an entire MFL entry.
- ✦ one complete contiguous "parcel" of land. (A MFL entry may contain more than one contiguous parcel of land.)
- ✦ the transfer of all of an MFL entry within a "legal description", as long as it meets the minimum requirements for the law (at least 10 acres in size and at least 80% productive).

Legal FCL Transfers

(lands enrolled prior to 1972)

- ✦ the entire FCL entry -or-
- ✦ 40 or more contiguous acres. (If lands remaining are less than 40 acres, they must be withdrawn.)

(lands enrolled after 1972)

- ✦ the entire FCL entry -or-
- ✦ one or more complete "legal descriptions"

Legal WTL Transfers

- ✦ the entire WTL entry
- ✦ one complete contiguous parcel of land. A WTL entry may contain one or more "parcels" of land.
- ✦ if the WTL entry is in more than one section, then all of the WTL acres in one section may be transferred without effecting the WTL acres in the other section(s).

Be Our Guest

We hope you have enjoyed reading the first issue of the Forest Tax Law and Stewardship News. This newsletter will bring you happenings from the world of Wisconsin forest tax law twice a year. You are encouraged to be a subscriber. Just call us and tell us you want to be a subscriber. There is no charge. We also encourage your suggestions and contributions as way of sharing your concerns with us and others who have common interest in the forest resources of Wisconsin. We welcome your comments and advice on the articles, the newsletter, or any information you would like to see in the newsletter. Please see the back page for our address and phone number.

